

Message Text

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E.O. 11652: N/A
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SUBJECT: POSSIBLE IMPROVEMENT IN INVESTMENT CLIMATE

REF: KUALA LUMPUR 1683

1. AS RESULT OF UNPUBLICIZED MEETING BETWEEN REPRESENTATIVES OF INTERNATIONAL CHAMBER OF COMMERCE (ICC) AND MALAYSIAN IMMIGRATION DEPARTMENT IN EARLY FEBRUARY, ONE OF CHRONIC PROBLEMS FACED BY FOREIGN INVESTORS IN MALAYSIA, STATUS OF THEIR EXPATRIATE PERSONNEL, SEEMS TO HAVE BEEN CONSIDERABLY EASED. THIS MEETING HELD AS PART OF CONTINUING EFFORT BY PRIME MINISTER HUSSEIN BIN ONN TO IMPROVE FOREIGN INVESTMENT CLIMATE AND TO RESPOND TO CRITICISMS VOICED IN ICC REPORT (SEE REFTEL). RESULTS OF THIS MEETING AND PM'S INTEREST IN GENERAL QUESTION OF FOREIGN INVESTMENT CLIMATE NOW BECOMING CLEAR.

2. SEVERAL U.S. COMPANIES WHICH EITHER HAD PREVIOUSLY ENCOUNTERED DELAY IN OBTAINING WORK PERMITS FOR EXPATRIATE STAFF OR WHO EXPECTED TO FACE NORMAL AND UNPLEASANT GRILLING AT HANDS OF GOM IMMIGRATION DEPARTMENT HAVE BEEN HAPPILY SURPRISED AND INDEED ASTONISHED TO HAVE HAD THEIR APPLICATIONS SUDDENLY GRANTED WITH NO COMMENT. IN CASE OF KODAK, PROBLEM REGARDING KEY POST THAT HAD BEEN HANGING OVER THEIR HEAD FOR ALMOST ONE YEAR WAS RECENTLY RESOLVED IN THEIR FAVOR. GIVEN
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FACT THAT, NEXT TO PETROLEUM AMENDMENT ACT PROVISIONS,

DIFFICULTIES WITH IMMIGRATION DEPARTMENT PROBLEM MOST OFTEN CITED BY FOREIGN INVESTORS AS HARMFUL TO INVESTMENT CLIMATE, ANY IMPROVEMENT TAKES ON SOME SIGNIFICANCE. PERHAPS OF EQUAL NOTE TO POSITIVE RESOLUTION OF THESE PROBLEMS IS REMARKABLE DECREASE IN NUMBER OF COMPLAINTS HEARD BY EMBASSY OFFICERS ABOUT IMMIGRATION DIFFICULTIES. HERETOFORE, THIS SUBJECT TENDED TO PLAY SAME ROLE AT COCKTAIL PARTIES IN K.L. AS DOES DISCUSSION OF PROFESSIONAL FOOTBALL IN U.S.

3. ANOTHER STRAW IN WIND INDICATIVE OF IMPROVING CONDITIONS IS RECENT APPROVAL GIVEN TO HARRIS SEMICONDUCTOR BY MINISTRY OF LABOR (MOL) TO OPERATE THREE SHIFTS WITHOUT RESORTING TO ROTATING WORKERS AS HAD ALWAYS BEEN REQUIRED BEFORE. THIS IS SIGNIFICANT IN THAT ROTATING SHIFT ISSUE HAS ALWAYS RECEIVED STRONG MOL AND LABOR UNION SUPPORT BEFORE BECAUSE OF BELIEF THAT GIRLS WHO WORK IN FACTORIES SHOULD NOT HAVE TO STAY ON ONE SHIFT, ESPECIALLY GRAVEYARD. AS RESULT, HARRIS SEMICONDUCTOR HAD BEEN UNDER HEAVY PRESSURE TO CONFORM TO THIS REQUIREMENT. COMPANY'S MANAGEMENT HAD STRONGLY RESISTED THESE PRESSURES ON TECHNICAL GROUNDS. COMPANY DID NOT BELIEVE, HOWEVER, THAT THEY WERE GOING TO WIN THEIR CASE. TO THEIR GREAT SURPRISE, MOL HAS RECENTLY APPROVED THREE SHIFTS WITHOUT/NECESSITY OF ROTATING WORKERS.

4. EMBOFF HAD RECENTLY HAD OCCASION TO DISCUSS BUSINESS CONDITIONS WITH SEVERAL AMERICAN MANAGERS FROM PENANG WHO ALSO REPORT LACK OF TYPE OF PROBLEMS WITH IMMIGRATION AND OTHER GOM DEPARTMENTS WHICH CAN NORMALLY BE COUNTED ON TO CREATE DIFFICULTIES.

5. COMMENT: WHILE POSSIBILITY EXISTS THAT THESE DEVELOPMENTS ARE NO MORE THAN RANDOM STROKES OF GOOD FORTUNE FOR COMPANIES INVOLVED, RANGE AND VARIETY OF PROBLEM RESOLUTION SEEMS TO INDICATE TREND TOWARDS MORE SYMPATHETIC HANDLING OF FOREIGN INVESTORS BY WORKING-LEVEL GOM AUTHORITIES. THIS MOVEMENT REPRESENTS FIRST TANGIBLE EVIDENCE THAT GOM, UNDER PM'S PRODDING, ADOPTING MORE FLEXIBLE APPROACH TOWARDS FOREIGN PVESTORS.
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